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**U.S. SUES THE TRAVELERS INSURANCE COMPANY AND UNITED
HEALTHCARE INSURANCE COMPANY FOR MEDICARE FRAUD;
DEFENDANTS AGREE TO PAY \$20.6 MILLION IN DAMAGES**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced today that The Travelers Insurance Company ("Travelers") and United Healthcare Insurance Company ("United Healthcare") have agreed to pay the United States \$20.6 million to settle civil charges that Travelers and United Healthcare defrauded the Government in connection with cost reimbursement and other payments they improperly sought and received under the Medicare program.

The allegations of improper billing were brought to the attention of the Government by a whistle-blower who filed suit under the qui tam provisions of the federal False Claims Act.

From October 1, 1988, through January 3, 1995, Travelers acted under various contracts with the Government to serve as (1) the fiscal intermediary for the Medicare Part A program for portions of three states (Connecticut, Michigan, and New York), (2) the Medicare Part B carrier for four states (Connecticut, Minnesota, Mississippi, and Virginia), (3) the

Railroad Retirement Board carrier nationwide, and (4) the Durable Medical Equipment carrier for Region A. United Healthcare carried out those same contracts from January 3, 1995 through December 31, 2000. Prior to each fiscal year, defendants were required to submit a proposed budget for each of the operations that the company was obligated to perform under the contracts, which budget was approved by the Government.

The complaint filed by the whistle-blower and adopted by the Government charges that beginning in about October 1989 or earlier, Travelers devised a scheme whereby it knowingly did not report its actual expenditures under these cost reimbursement contracts to the Government, substituting falsified figures instead, in an effort fraudulently to obtain greater reimbursement and performance incentive payments from the Government than it was entitled to under the contracts.

Specifically, the complaint alleges that in performing the contracts, Travelers routinely far exceeded its Government-approved budget for certain required operations (for example, processing Medicare claims submitted by physicians and other health care providers) and spent far less on other operations (such as benefit integrity) that are mandated by the Government to root out fraudulent claims and provide overall cost savings to the Government. Rather than reporting its actual costs to the Government, the Complaint alleges that Travelers submitted cost reports and other documents that fraudulently misrepresented that

Travelers was carrying out its contractual obligations at or near the Government-approved budget, when in fact there were substantial cost overruns in certain operations and other operations were significantly under budget. Indeed, the Government's investigation revealed that Travelers kept two sets of books: its actual costs and the costs as reported to the Government.

The complaint charges that when United Healthcare took over those same contracts from Travelers in 1995, it engaged in the same fraudulent billing practices.

Under the settlement, Travelers will pay the Government \$10.9 million and United Healthcare will pay the Government \$9.7 million, for a total recovery of \$20.6 million. Neither Travelers nor United Healthcare admits any of the allegations of the complaint in connection with the settlement.

Mr. KELLEY thanked the Department of Health and Human Services, Office of the Inspector General, for its assistance in this investigation.

Assistant United States Attorney JEFFREY OESTERICH is in charge of the case.

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